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August 16, 1977

Dear Mr. Findley:

The Secretary has asked me to thank you for your letter of August 3 concerning a recent newspaper column on our claim against Israel in connection with the U.S.S. Liberty incident of June 1967.

The Government of Israel has discharged fully the claims of individuals and a small U.S. Government claim arising from this incident. The Department of State has pressed the remaining claim, for compensation for physical damage to the vessel itself, on a number of occasions. The Israeli Government denied responsibility but offered to pay a nominal sum which was rejected. During the past few years this claim has been permitted to remain outstanding, but the Department of State maintains that the claim is a valid obligation of the Government of Israel.

Sincerely,

Douglas J. Bennet, Jr.
Assistant Secretary
for Congressional Relations

Enclosure:
Correspondence Returned.

The Honorable,
Paul Findley,
House of Representatives.

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY John Kelly DATE 1/24/83
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PAUL FINDLEY
20th DISTRICT, ILLINOIS

COMMITTEE:
INTERNATIONAL RELATIONS
AGRICULTURE

Congress of the United States
House of Representatives
Washington, D.C.

August 3, 1977

ACTION is assigned to NEA

The Honorable Cyrus Vance
Secretary of State
Department of State
Washington, D.C. 20520

Dear Mr. Secretary:

Would appreciate having the Department's response to a recent article by Jack Anderson, a copy of which I'm enclosing.

Thanks very much for your assistance.

Sincerely yours,

Paul Findley
Representative in Congress

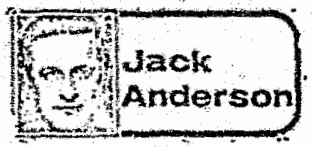
Enclosure

re money owed U.S. by Israel for damage to USS Liberty

1977 AUG 9 PM 2 53
DOCUMENT ANALYSIS
RECEIVED

DECLASSIFIED

Israel still owes U.S. for damage to USS Liberty



IT HAS BEEN a full decade since Israeli warplanes and torpedo boats struck the communications ship USS Liberty in international waters, leaving 34 Americans dead and 171 wounded.

Yet the full damages have never been paid, and the incident has never been closed. Classified State Department documents show, moreover, that Israel has tried to welsh on its public promise to pay for all "material damage."

All the while, the State Department has covered up its difficult dealings with Israel over the Liberty incident. A secret decision was made not to tell Congress nor the public about Israel's refusal to make good on its pledge.

It was the former Israeli government, of course, that balked at compensating the United States for shooting up the ship. A source close to Prime Minister Menahem Begin assured us that the new Israeli leader will want to straighten out any misunderstanding.

The Liberty, with an electronic garden of antenna attuned to the Mediterranean sound waves, was monitoring the 1967 Arab-Israeli fighting when it was attacked. The apologetic Israelis said afterward that they had mistaken the ship for an Egyptian freighter and would make retribution to the families of the dead and wounded.

THE ISRAELIS MADE this formal in a June 10, 1967, message to Secretary of State Dean Rusk; he was assured that Israel would "make amends for the tragic loss of life and material damage." A few months later, Israel laid out $3,323,500 to the families of the 34 men who were killed. But not a farthing was offered to pay the estimated $7 million damage to the ship.

Indeed, the Israelis secretly notified the United States on Aug. 5, 1968, that "the government of Israel is not liable for the damage" to the ship. This not only contradicted the Israelis' public statements; it also outraged American diplomats in both Tel Aviv and Washington.

From Tel Aviv, the U.S. embassy fired off a classified cable to Rusk declaring that the Israeli position was "disappointing in negativeness and obduracy" and could not "be allowed to stand." Rusk shot back a reply so hot that it virtually accused the Israelis of lying.

Rusk instructed the embassy to tell Israel that its attitude was "totally unacceptable." The United States "cannot believe it is (Israel's) final position," declared the indefatigable Rusk.

But the State Department was not so offended that it would embarrass the Israelis in public. For the secret cable added coyly: "We have not made either fact of receipt or contents (of the Israeli note) known to public or to Congress."

The Israelis refused to budge; they continued to disclaim financial responsibility for the full damage. This stirred Rusk into drafting a formal note, declaring that the attack was "unprovoked" and that Israel's new position was "in contravention of (its) express assurances." This was harsh diplomatic language accusing Israel of untruthfulness.

BUT THE NOTE was never delivered. At the last minute, the United States received signals that Israel was willing to compromise. The embassy, therefore, recommended that the Rusk rebuke not be administered. "This will remove from (the) record any indication of the Government of Israel's disavowal of responsibility," explained the cable from Tel Aviv.

The Israelis finally got around to settling the injury claim in April, 1969, for $13 million. But they continued to stall on the $7 million damage claims. There was an occasional straw in the wind. A confidential cable to Secretary of State William Rogers in August, 1971, reported that the Israeli foreign ministry hoped to offer something positive "within a few days." But to this day, the damage payments have not been made.

The USS Liberty, meanwhile, has long since been retired from the Navy and the talks over paying for its repairs still drag on at the Pentagon.

Footnote: An Israeli embassy spokesman said the attack on the Liberty remained a matter of anguish for the Israeli people. But he added that the damage compensation "is not being pursued. We believe it is settled." The U.S. Navy, on the contrary, said discussions are still going on. And State Department sources told us flatly "no conclusion" has ever been reached.

DEFENSE DOLLARS—In past columns, we have chronicled the battle over the Renegotiations Board, which for years has been a timid watchdog over Pentagon contracts, but which at last is beginning to growl.

The Board's reluctant regulators have usually defined their responsibilities to squeeze the excess fat out of military contracts. But President Carter has appointed several persons to the board who take more seriously than their predecessors their assignment to police defense contractors.

The big defense contractors, alarmed over the new appointees, have bombarded Capitol Hill with appeals to save the Board. We have now discovered, not altogether surprisingly, that the Board's most formidable foes in Congress come from districts heavily dependent upon defense industries.

Perhaps the Board's most outspoken congressional opponent is Rep. Mark Hannaford, D-Calif. His district is dominated largely by McDonnell-Douglas plants. It happens that McDonnell-Douglas was the top defense contractor in 1976, with $2.46 billion worth of Pentagon business.

Footnote: Hannaford told us the Board "does more harm than it does good" because of the expense of the red tape it creates. He acknowledged that the presence of McDonnell-Douglas in his backyard did help call his attention to the problem.